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TRANSNATIONAL CORPORATIONS IN THE PRODUCTION AND PROCESSING OF TROPICAL HARDWOOD IN THE IVORY COAST

This study was prepared for the Joint ECA/UNCTC Unit on Transnational Corporations by an ECA Consultant. The views expressed therein and those of the author are not necessarily those of the United Nations.

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CHAPTER I

INTRODUCTION

1. Forests in the Ivory Coast cover 80 per cent or 332,000 km^2 of the national territory. They are tropical forests, consisting of several very varied species, the principal ones being:

Mahogany	Bosse	Fromager (ceiba)
Sipo	Kossipo	Azob
Samba	Assamela	Dabema
Niangon	Lingue	Koto
Frake	Troko	Amazakoue
Framire	Aiele	Dibetou
Bete	Ilomba	Badi
Aniegre	Kotibe	Bahia

2. Timber plays a leading role in the economy of the Ivory Coast. In terms of value it is the third most important export commodity after coffee and cacao, accounting for 22 per cent of the country's exports in 1975.

3. In terms of tax revenue, forestry accounts for 38 per cent of export duties and 13 per cent of total customs receipts.

4. Forty thousand people are directly or indirectly employed in the timber industry and the local value added constitutes 70 per cent of turnover which amounted to 70 billion CFA in 1974.

CHAPTER II

WOOD PRODUCTION AND PROCESSING IN THE IVORY COAST

A. Description of production

1. Logging

5. At present only some forty species are used for logging, thirty of which constitute a relatively major industry. The forests also contain a large number of "secondary" species, so-called because they are not exploited or are exploited only on a small scale. They are, however, well known technologically thanks to promotional activities undertaken by transnational corporations, and the government./

1/ For further discussion, see Chapter IV, paras. 73 - 78.

6. The main feature of the exploitable species is their acceptability to users and their suitability for very specific types of processing, as summarized in the following text.

2. Timber production

Category 1 High-grade multi-purpose logs: carpentry, plywood, furniture

Aboudikro	Bete
Mahogany	Bosse
Amazakoue	Dibetou
White aniegre	Kossipo
Red aniegre	Koto
Assamela	Makore
Avodire	Sipo
Azodau-Lingue	Tiama

Category 2 Multi-purpose logs: carpentry, plywood, furniture

Akossika	Kekele
Ba	Lohonfe
Frake	

Category 3 High-grade carpentry logs

Difou	Kotibe
Framire	Niangon
Iroko	

Category 4 Carpentry logs

Badi	Melegba
Dabema	Movingui
Iatandza	Pocouli
Lotofa	Vaa

Category 5 Logs for veneering and moulding

Aiele	Fero
Dabema Ako	Fromager
Bahia	Ilomba
Bi	Kondroti
Eho	Pouo
Emien	Samba

Category 6 Heavy and hard logs for construction and railway ties

Azobe
Tali

7. There are sub-species that are either little known to users or are known but insufficiently marketed and whose technological characteristics are both recognized and good.

8. In addition a number of the high-grade species described above as "abundant" remain under-exploited; it should be possible, through sales promotion effort to upgrade them to the category of commercially-known species.

9. The following table shows the volume of timber production in the Ivory Coast and its destination since independence.

B. Wood processing in the Ivory Coast

10. There are two stages in the timber processing industry of the Ivory Coast: primary processing and secondary processing.

1. Primary processing

11. This component of the industry consisted of the following 80 units in 1976:

- 8 veneering plants;
- 72 sawmills, of which 22 had a secondary processing shop (joinery cabinet-making).

12. In 1976 these plants processed 1.8 million m^3 of timber and produced:

- 600,000 m^3 of sawnwood;
- 103,000 m^3 of peeled and sliced veneers;
- 40,000 m^3 of plywood.

13. They provided 11,000 jobs and the value of their output was 23 billion CFA francs, of which 15.2 billion were attributable to exports.

2. Secondary processing

14. Until 1970, these industries consisted only of artisan workshops or semi-industrial enterprises. In 1974, three integrated enterprises (furniture,

Table 1

Estimated Resources of Technologically-known and Commercially-Exploitable Species

Species	Resources	Exports		Uses
		Logs	Processed products	
Kotibe	very extensive	x	x	joinery - cabinet-making sliced veneers
Frake	very extensive	x	x	plywood - interior wood finishing - heavy furniture
Badi	extensive	x	x	railway sleepers (ties) wagon bottoms parquet flooring
Dabema	very extensive	x	x	carpentry constructional joinery
Fromager	very extensive	x	x	light packing plywood
Iroko	extensive	x	x	veneering parquet flooring, vats for chemicals
Amazakoue	extensive	x	x	cabinet-making traditional and mosaic flooring
Lingue	Sporadic	x	x	heavy construction joinery and solid furniture
Framire	extensive	x	x	interior wood finishing light furniture plywood
Bahia	extensive	x	x	veneering interior wood finishing manufacture of mouldings
Koto	extensive	x	x	veneers (peeled and sliced) cabinet-making
Ako	very extensive	x	x	peeling and slicing for plywood interior finishing of veneered furniture
Aiele	Sporadic	x	x	light joinery packing
Samba	extensive	x	x	Light furniture Interior finishing of veneered furniture packing, veneering
Ilomba	extensive	x		veneering - plywood moulding interior wood finishing

Table 2

Production and marketing of timber in the Ivory Coast, 1960-76

	1960	1965	1970	1972	1973	1974	1975	1976	1976
Total output of logs (x 1,000 m^3)	1 003	2 560	3 548	3 920	4 178	5 169	4 626	3 961	5 130
Logs exported (x 1,000 m^3)	848	1 905	2 511	2 933	3 168	3 497	3 030	2 417	3 330
- value in millions CFA francs	5 920	14 920	23 417	25 917	32 505	56 385	51 658	34 814	62 600
- average value CFA francs m^3)	6 890	7 868	9 326	8 836	10 260	16 124	17 049	14 403	18 800
Logs delivered to plants (x 1,000 m^3)	155	655	1 030	987	1 010	1 672a/	1 595	1 544	1 800
Local processing (volume)	15.5%	25.6%	29.2%	25.2%	24.2%	32.3%	34.5%	39.0%	35.0%

a/ The large increase in deliveries to plants from 1973 on was caused by regulations on exports introduced in October 1972.

constructional timber, panelling, moulding) and three non-integrated furniture enterprises were established. In spite of this, the timber industry of the Ivory Coast is still primarily based on artisanal activities; the goal, however, is to achieve greater industrialization.

15. The timber industry is broken down into 5 categories:

- Complexes: these combine plants producing sawnwoods and veneers with a plywood plant and sometimes a joinery workshop;
- Peeling plants: these plants only produce peeled veneers;
- Sawmills, joinery and wood for cabinet-making plants: these plants combine the production of sawnwood, joinery and wood for cabinet-making;
- Sawmills: these plants only produce sawnwood;
- Miscellaneous: this covers enterprises using wood as a supplementary input.

16. The following table shows the development of the timber industry in the Ivory Coast since independence in terms of numbers and type of plant, capacity and new projects.

Table 3

(a) Development of Plants (Number and Type)

Type of plant	1970	1971	1972	1973	1974
Complex	4	4	4	5	5
Peeling	1	1	1	1	2
Sawmill/joinery	13	13	14	17	20
Sawmill	34	34	33	38	43
Miscellaneous	-	-	-	3	4
TOTAL	52	52	52	64	74

(b) Increase in Capacity (m^3 logs/year)

Type of plant	1970	1971	1972	1973	1974
Complex	340 000	340 000	340 000	435 000	465 000
Peeling	45 000	45 000	45 000	45 000	90 000
Sawmill/joinery	168 000	168 000	175 000	218 000	241 000
Sawmill	849 000	849 000	789 000	993 000	1 373 000
Miscellaneous	-	-	-	22 000	30 000
Total	1 402 000	1 402 000	1 349 000	1 713 000	2 199 000

(c) Status of New Projects

Type of plant	Status in 1973		Projects executed in 1974		Feasible projects in 1975	
	Number	Capacity	Number	Capacity	Number	Capacity
Complex	5	435 000	-	-	1	60 000
Peeling	1	45 000	1	45 000	-	
Sawmill-joinery a/	17	218 000	3	23 000	-	
Sawmill a/	38	993 000	5	106 000	2	80 000
Miscellaneous	3	22 000	1	8 000		
Total	64	1 713 000	10	182 000	3	140 000

a/ The sawmill and sawmill-joinery projects carried out in 1974 are mainly local artisanal projects.

3. Industrial development policy

17. The 1971-1975 development plan projected local processing of 40 per cent of the logs by the end of the period, a target that was essentially met since, in 1975, the local processing rate was 39 per cent.

18. The development plan is still aimed at establishing a competitive, integrated and powerful industry whose products will be sold first abroad and progressively on the local market.

19. In support of this, the Government has initiated a firm forestry policy providing incentives in both the logging and the processing sectors. The first aim is to modernize the existing units in order to raise productivity. The next step is to integrate processing activities in order to achieve a rising output of finished products. Tax incentives have been introduced for this purpose.

20. These objectives can only be achieved by maintaining forest resources at leves that guarantee long-term supply and consequently profitability for the Ivory Coast's industries. This is the reason for institution of protective measures, the most important of which are the designation of vast forest stands (3 million hectares) and national parks in which exploitation is prohibited, and implementation of a major reforestation programme and replenish the felled trees. The target of the reforestation programme is to plant 10 000 ha. per year with effect from 1980.

Table 4

Reforestation Programme

	1976	1977	1978	1979	1980
Total areas (ha)	4 000	6 000	8 000	10 000	10 000
Of which - teak	500	750	1 000	10 000	1 000
- mahogany	500	750	1 000	1 000	1 000
- other species[a/]	3000	4 500	6 000	8 000	8 000

a/ Pine, omelina, frake, samba, cordia, cedrela.....

C. Geographical distribution of production

21. The Ivory Coast's annual output of hardwoods in 1981 was 4,049,000 m^3, of which 2 343 000 m^3 were exported and 1 706 000 m^3 were processed locally. In the absence of comprehensive statistics on world production, an understanding of the situation may be formed on the basis of comparision of exports for the first quarter of 1981.

22. World exports for this period totalled 4 393 000 m^3, broken down as follows:

- Asia and the Pacific: 3 668 000 m^3 or 83.49 per cent of world exports (highest world figure);
- Africa: 708 000 m^3 or 16 per cent of world exports (second-highest figure);
- Latin America: 6 800 m^3 or 0.15 per cent of world exports;
- Ivory Coast: 330 000 m^3 or 7.51 per cent of world exports (classified before Latin America) and 46.6 per cent of African exports (first in Africa).

D. Control of tropical hardwood operations in the Ivory Coast

23. Timber operations in the Ivory Coast are subject to strict governmental control which is exercised at every stage in the industry:

- Logging (production of timber in the rough);
- Processing (production of semi-finished and finished products);
- Trade (mainly exports of timber in the rough).

24. The different controls described below are authorized pursuant to Act No. 65-425 of 20 December 1966, establishing the forestry code, and to Implementing Decrees No. 66-420 of 15 September 1966 and No. 72-543 of 28 August 1972.

1. Control of logging

25. For a long time the Ivory Coast's forests were indiscriminately exploited, which entailed a risk that species would rapidly be exhaused to the detriment of the country's economy. Since 1966 the Government has enforced specific provisions under the forestry code to regulate logging activities.

26. The forestry code now provides the following:

(a) Preliminary and annual approval

27. Under Decree No. 72-126 of 9 February 1972 authorizing logging in accordance with temporary logging permits, every logger must apply each year for a logging authorization which includes both an accurate inventory of the forest resources specified in permits previously awarded and a binding logging schedule, the purpose of which is to monitor on a yearly basis the administrative and financial situation of the parties concerned.

28. Under Decree No. 72-125 of 9 February establishing a tenancy contract for certain temporary permits, control can be exercised over the contract itself and over the logging in order to avoid waste.

(b) "Ivorization" of the logging industry

29. Only Ivory Coast nationals or companies in which the Ivory Coast has a majority participating interest in both capital and management are authorized to engage in logging activities. Accordingly, 90 per cent of the loggers, numbering 710, are Ivory Coast nationals.

(c) Profit-sharing by the communities of the logging areas

30. Every logger is required to carry out socio-economic activities in the logging area for the benefit of the local communities or to pay them annual bonuses, the amount of which is fixed and controlled by the Government.

(d) Maintenance of resources

2. Control of processing

31. The forestry code and its implementing decrees are especially designed to develop and channel output into local industry and to ensure, as a matter of priority, the supply of plants in the Ivory Coast. They also provide for the organization of wood-processing enterprises.

(a) Development of local industry

32. Under Decree No. 72-513 of 28 August 1972, approved timber exporters are required to give priority to supplying the plants: each exporter must accordingly at least 40 per cent of his export volume to Ivory Coast plants. The percentage is fixed each year by the Government on the basis of the absorption capacity of existing or projected industries.

33. The total volume of exported timber in the rough is thus indirectly limited for the benefit of local industry.

34. Thanks to these regulatory measures the Ivory Coast ensures that the activity of its timber industry is not kept down to a very low level in relation to exports.

(b) Organization of wood-processing enterprises

35. Enterprises have been organized by statute either as public limited liability companies in Ivory Coast law as private limited liability companies partly or fully owned by Ivory Coast nationals or as national enterprises.

36. Their establishment is subject to prior Government approval after careful study of a comprehensive file and in accordance with relevant legal provisions.

37. Provision is made for the State to hold a substantial share of the capital of these companies in order to recycle it to nationals in accordance with a systematic policy for the "Ivorization" of capital and the sharing by nationals in the profits from investments.

(3) Control of wood exports

38. Exports of timber in the rough are strictly controlled with regard to both exporter and commodity.

(a) Control of exporters

39. Exporters must have government approval in accordance with very specific provisions by order of the Minister of Trade.

(b) Control of exports

40. Exporting is conditional on prior delivery of timber to local plants. It is governed by bilateral trade agreements between the Ivory Coast and the different importing countries.

41. Inter-governmental agreements lay down the terms of the transaction and, in particular, prohibit the resale of timber in the rough by the purchasing country to a third country without prior agreement of the Ivory Coast Government.

42. Trade in timber in the rough is controlled by the Governemnt in order to promote direct trade between the Ivory Coast and importing countries; the decision to sell national timber therefore has to be taken within the national territory.

43. Until recent years, the decision to sell Ivory Coast timber to a third country was taken by offices situated outside the national territory which in effect acted as middlemen between the national producer and the actual recipient of the timber and generated substantial profits.

44. The Government of the Ivory Coast is seeking to remedy this situation which arises from the vertical relationship between the North and South and between the former colonies and their former metropoles. It has developed direct trade links over the past few years with all countries, but particularly with those using its wood (Eastern countries, Greece, Spain, Italy).

45. As a result of regulation of the timber industry, the Ivory Coast under its "Ivorization" policy has greatly curtailed the forestry activities of the transnational corporations by controlling their processing and exporting activities. 2/ The activities of transnational corporations at different stages of the industry now take into consideration the interests of the Ivory Coast and its inhabitants, in accordance with the Government's economic and social development policy.

46. Marketing, which is discussed later, is the only area remaining subject to the influence of TNCs which decide whetehr or not to sell Ivory Coast. The progressive "Ivorization" of the export sector will eventually remedy this situation as well.

E. Transnational corporations in the production of Ivory Coast wood industry

47. There are 61 transnational corporations dealing in wood in the Ivory Coast out of a total of 710 companies for this industry. The TNCs are listed in Annex I. They participate in 8 per cent of the enterprises engaged in wood-related activities and were established in assoication with national partners under the regulations governing the creation of enterprises in the Ivory Coast. The 61 enterprises in which transnational corporations are dominant supply 47 per cent of the country's timber in the rough and processed wood: the enterprises were established as partnerships between the transnational corporations and Ivory Coast nationals, the share of 47 per cent of the Ivory Coast's production cannot be described as being under the control of TNCs; rather, these corporations have a large stake in 47 per cent of the national production.

CHAPTER III

STRUCTURE OF THE IVORY COAST HARDWOOD MARKET

A. Trade flows and world distribution of consumption of Ivory Coast tropical hardwood

48. Wood is exported in the form of logs (timber in the rough), semi-finished products (peeled and sliced veneers) and, to a very small extent, finished products (furniture).

49. In 1976, the Ivory Coast exported 65 per cent of its output of logs, or 3 328 000 m^3, for a value of 62.6 million CFA francs exports of semi-finished goods amounted to 1 000 000 m^3 and were valued at 15.2 billion CFA francs.

Table 5
Exports of Ivory Coast Logs by Country

In m^3 logs

	1965	1970	1975	1976
EEC (nine)	1 648 400	1 923 034	1 582 394	2 143 451
Rest of world	256 439	587 929	836 598	1 131 894
Total	1 904 839	2 510 963	2 418 992	3 275 345

In thousands of francs CFA (at current prices)

	1965	1970	1975	1976
EEC (nine)	12 976 028	18 457 067		42 186 940
Rest of world	2 015 255	4 959 960		21 074 335
Total	14 991 283	23 417 027	34 860 378	63 261 286

	1972		1973		1974		1975		1976	
	Logs	Sawn wood	Logs	Sawn Wood	Logs	Sawn Wood	Logs	Sawn Wood	Logs	Sawn wood
France	54,1	4	104	6,5	94	7,4	49,9	4,6	62	8,7
Spain	418,5	6,3	463,5	13,2	396,4	23,5	325	29	413,7	28,5
Belgium	80,5	2	100	3	77,7	6	47,7	3,1	64,4	4,4
Italy	867,5	5,6	1100,3	11	780,4	15,8	675,1	10,4	979,8	20,5
United Kingdom	125	54,1	136	60,5	64,2	46,1	72,4	35	88,5	62,3
Federal Republic of Germany	649	35,2	589,8	38,8	369,2	27,7	313,5	28,0	386,4	32,8
Netherlands	48,8	9,1	72,5	15,4	41,5	12,4	24	7,8	44,2	12,2

50. Since 1972, Italy has been by far the Ivory Coast's biggest customer in both Europe and the world, followed by the Federal Republic of Germany and Spain. Among European customers, France holds the penultimate place and is followed by the Netherlands.

B. Transnational corporations in the marketing of Ivory Coast wood

51. Transnational corporations deal either in traditional species which are in great demand, or in new species still to be promoted.

52. 1. Traditional species

52. Since traditional species are in great demand in consuming countries, special marketing effort is required in selling them. Transnational corporations dominate their marketing essentially because all the enterprises producing timeber in the rough export through TNC networks which have the final say in the sale of the country's wood.

53. The State, therefore plays a minor role in the distribution abroad of the country's wood to the extent that the marketing decisions are still taken outside the country.

54. This problem affects most of the Ivory Coast's exports, and authorities are well aware of it. Provisions are therefore being drawn up to ensure greater participation by the State or national partners in marketing decisions; one particular measure requires physical transfer of such decision-making to the Ivory Coast in a context of free enterprise and partnership with the prive sector which is keeping with the country's fundamental economic and political doctrine.

2. New species

55. There are species of secondary but unknown commercial value which, however, can render the same services as traditional species. This is the case, in particular, of the fromager (ceiba).

56. With financial assistance from the European Economic Community and participation of mostly European processors and distributors, the Ivory Coast organized a promotional campaign to publicize the virtues of these species in 1976 and 1977.

57. As a result important varieties of new species were included in the range of Ivory Coast's exports.

58. The State is playing an increasing role in the marketing of its wood in all areas through use of measures including:

- regulating the export of wood;
- signing bilateral agreements with the major consumer countries in order to establish the juridical framework for marketing;
- inducing producers and exporters to negotiate directly with buyers in third countries without having to take into account each time the preponderant opinion of transnational corporations based in Paris, Brussels, London, Hamburg, etc.;
- following the marketing networks through the overseas branches of the State body responsible for promoting the country's exports.

C. Pricing machinery and its control

59. Wood prices in the Ivory Coast are governed by the same rules that regulate the prices of all goods and services. The State determines the procedures for pricing all consumer goods, including wood products, entering the local market through the Pricing Division of the Ministry of Trade.

60. Prices are set based on production costs and profit margins established and authorized by the State for producers and distributors. The margin cannot be exceeded and varies according to the type of product and the Government's policy in its respect.

61. Accordingly, the following criteria, inter alia, are applied in the case of price of logs delivered to local plantsd

- grade of the logs
- species of wood
- site of the plant and factors connected with the instability of the local market.

62. The Government's policy in this connexion is designed to establish an internal market for logs so as to guarantee a regular supply for local plants.

63. The present trend is towards a market organization that will encourage fair prices for export-quality wood delivered to local plants. As an illustration, the following table, prepared by the Government, provides some information based on the rates for October 1975.

Table 6
Rates for hardwood, October 1975

	Export quality		Sawmilll quality	
	Forest plant	Portside plant	Forest plant	Portside plant
White wood CFA francs per m^3	5 000	6 000-6 500	3 000-4 000	5 000
Red wood, CFA francs per m^3	8 000-10 000	12 000-14 000	5 000-6 000	7 000-8 000

The same rates apply to lumber, the prices of which are set according to quality (red or white) and size.

Standard sizes:

Category A

White woods: 28 000 CFA francs m^3 (all taxes included)

Red woods: 32 000 CFA francs m^3 (all taxes included)

Category B - Constructional timber

White woods: 25 000 to 30 000 CFA francs m^3 (all taxes included)

Red woods: 20 000 CFA francs m^3 (all taxes included)

Category C - Planks

White woods: 19 000 CFA francs m^3 (all taxes included)

Red woods: 20 000 CFA francs m^3 (all taxes included)

64. For non-standard sizes a special price is charged in order to include a value added factor of approximately 10 per cent of the price for the category. The same procedure is followed for semi-finished products.

65. Compliance with these margins is monitored by the Directorate for the Control and Avoidance of Fraud; the list of penalties for non-compliance includes suspension of business or working licences.

66. Export prices are freely determined by the private sector on the basis of costs and competitive market. Transnational corporations can therefore play a decisive role at this level.

D. Trade associations vis-a-vis transnational corporations

1. Ivory Coast

67. Strictly speaking, there is no trade organization at the Ivory Coast level that can effectively counterbalance the influence of transnational corporations in the marketing of wood.

68. There are two trade unions in the Ivory Coast, one of loggers, consisting exclusively of nationals, the other of industrialists and exporters, consisting of the processing and exporting enterprises 8 per cent of which are subsidiaries of the transnational corporations. The two trade unions are totally uninterested in one another; each is concerned with gaining from the Government specific advantages for its members.

69. Consequently the activities of the loggers' union which deals with the production of timber in the rough have very little impact on those of the wood industrialists' and exporters' union. It remains, however , that the activities of the transnationals - and hence of the industrialists' and exporters' union - influence production through TNC wood marketing policies. By giving marketing priority to the best-known and best-quoted species such as bete and mahogany, the transnationals condition the production of timber in the rough to the detriment of secondary species, the promotion of which is thus handicapped.

2. Africa

70. The principal African wood-producing countries have been trying for some years to set up an organization of African wood-producing and wood-exporting countries along the lines of OPEC.

71. The aim is to formulate an African policy for the production and marketing of the various species growing in Africa in order to diversify the forestry industry more effectively and ensure the marketing of secondary species in spite of the manoeuvres of the transnational corporations.

72. The organization, which already exists, is in the process of laying the necessary foundations for more concerted and in-depth action, for it is a fact that African wood is too expensive because of its quality and somewhat high export duties.

3. World wide

73. The United Nations Conference on Trade and Development (UNCTAD) has a project for the establishment of an international wood organization. Its purpose would be to improve research and development and diversification of tropical wood in particular, with financial support from the international agencies specializing in financing commodities under the relevant integrated programme.

CHAPTER IV

ROLE OF TRANSNATIONAL CORPORATIONS IN THE IVORY COAST WOOD INDUSTRY

A. History of transnational corporations in the Ivory Coast

74. In 1880, British Sawyers were the first to show an interest in forestry in the Ivory Coast. They supplied Liverpool from Port d'Assinie in the south-east of the country. In 1895, the Kong Company, the leading European enterprise of the time operating in the Ivory Coast, followed the British example and intensively exploited mahogany and red woods. By 1901, its output reached the figure of 13 000 tons; this very rapidly led to the disappearance of these two species in the Assinie region and to penetration into the interior in search of them..

75. In 1913, the colonial Government became concerned about the possible exhaustion of forestry resources and raised the problem at various timber conferences. A search then began for alternatives based on a better knowledge of exploitable species. Studies on the subject intensified in reaction and shortages of construction wood and timber in Europe resulting from the great destruction caused during the First World War in 1914-1918.. Study missions led by SALESSES and BERTIN travelled through Africa to draw up inventories of tropical woods and

and their possible uses.

76. In 1923, the firm E. LAROSE published a brochure in Europe entitled "Utilisation en France des bois de la Cote d'Ivoire", with technological data sheets sheets on a score of species which, as they proposed, could be used for different purposes including furniture, railway sleepers (ties), harbour installations and more. 50 000 tons of wood were extracted from the country's forests at that time.

77. A succession of missions and brochures led to more widespread and rational utilization of tropical woods. The Marseilles colonial exhibition publicized the Ivory Coast's woods and their uses for the benefit of potential buyers. A score of Ivory Coast species followed the example of mahogany and made their appearance in marketing networks; this was further encouraged by the action of transnational corporations whose study and promotional missions and trade exhibitions of Ivory Coast woods spread throughout France.

78. More than half a century after the Marseilles exhibition, similar problems of promotion have arisen; the Ivory Coast Government, like the colonial Government in its day, wishes to make users aware of the still unexploited species that have useful qualities. Collaboration of transnational corporations, however, in promoting secondary species remains rather lukewarm at present, and is in sharp contract with their reaction to the canvassing of former colonial authorities.

79. At the time of independence in 1960, the offices of transnational corporations in the Ivory Coast were branches of the parent organizations. Under new post 1960 legislation, these branches became companies under local law in other words subsidiaries of the transnational corporations with Ivory Coast participation in the investment.

80. The new situation has enabled the country to monitor and influence transnational corporation activities with respect to production of timber in the rough and its processing. It has never, however, fully controlled them, since marketing is still subject to parent firm policy.

B. Brief description of transnational corporations in the Ivory Coast wood industry

81. Most of the transnational corporations are subsidiaries of European (French, German and British) companies with Ivory Coast participation in the investment, They include for instance:

- ETCI, which belongs to the GADEN group:
- Exploitation de Tanda and SEPC (LALANNE group);
- Scierie du Bandama (JACOB group);
- SIFCI (Danzer-Allemand group);

- SCAF (SCOA group);

- SOFIBOIS (SOTREF and BECOB group);

- STBO (WIRAFRIQUE group).

82. The share of transnational corporations in the timber industry may be summarized as follows:

- 67 per cent of the production of timber in the rough and processed wood;

- 62 per cent of the value added in the industry;

- 70 per cent approximately of the employees;

- 85 per cent of the annual turnover;

- 1 371 million CFA francs of funds repatriated as miscellaneous expenses;

- 6 833 million CFA frances entering the Ivory Coast for miscellaneous operations;

83. All these data are for the year 1979.

CHAPTER V

DISTRIBUTION OF PROFITS

A. Agreements between transnational corporations and the State of the Ivory Coast and policy of the Government vis-a-vis these corporations

84. There are no specific agreements in any sector, including forestry between transnational corporations and the Government.

85. On the other hand, accreditations as priority enterprises are issued by the State; these may be granted to any enterprise, transnational corporations or otherwise, which fulfils the requirements set forth in the investment corde. Transnational corporations applying for such accreditation and fulfilling the necessary requirements may therefore be approved as priority enterprises. The last two items imply an average annual net total positive balance of 5 537 million CFA frances in respect of operations with foreign countries.

86. To qualify for accreditation, priority enterprises must:

- Engage in an activity which, by its nature and effect, contributes to the implementation of economic and social development plans in the manner specified in the accreditation decreee, this applies to the wood industry;

- Make investments of particular importance for the development of the Ivory Coast;

- Have been established after 11 April 1958, or have undertaken major extensions after that date (the accreditation will then cover these extensions only);

87. The following are the terms of the priority accreditation:

- Accredited priority enterprises shall enjoy tax exemption of tax relief privileges and may be granted long-term tax benefits if they are of particular importance;

- The long-term tax regime guarantees for accredited priority enterprises stability in respect of all or part of the tax burden for which they are liable for a maximum period of 25 years. During this period such enterprises shall not be liable for new taxes.

88. Priority enterprises conclude with the State a contract of establishment which specifies and quarantees the terms of their establishment and financing. These contracts cannot entail any obligation on the part of the State to exonerate the beneficiary enterprise in respect of any losses or costs or any loss of earnings that may arise from changing economic conditions or from factors specific to the enterprise.

89. Priority enterprises enjoy tax exemption or tax relief privileges with respect to:

- certain dues and taxes levied upon entry to the Ivory Coast of merchandise and products imported in connexion with their activities (customs duties, entry tax, flat-rate tax in lieu of sales tax);

- certain duties, charges and taxes levied on their internal production activities or transactions (taxes on industrial and business profits, etc.);

- certain charges and taxes levied on departure from the Ivory Cost Coast.

90. On the other hand, priority enterprises are required inter alia:

- to re-invest a substantial part of their profits in the country;
- to have raw materials processed locally;
- to provide employment on a large scale, including important posts, to Ivory Coast nationals;
- to ensure that within a fixed period their supervisory and managerial posts are filled by Ivory Coast nationals;
- to supply their products at prices commensurate with the privileged conditions which they enjoy.

91. Because of their size and the importance and nature of their activities, all transnational corporations dealing in timber which have applied have been accredited as priority enterprises.

B. Government participation in the different stages of transnational corporations

92. As explained above, the Ivory Coast Government has enacted provisions for organizing, directing and monitoring all economic operations in or concerning the country. In keeping with its policy of economic liberalism, however, the conduct of production and marketing operations are left entirely in the hands of private enterprise, in other words, of the private sector. The Government does not, therefore, participate in the activities of transnational or other enterprises.

93. On the other hand, as stated above, the Government creates the conditions necessary for private sector operations through regulating and monitoring measures (forestry code, investment code, prior authorization for production and export, etc.). It thereby creates conditions for a progressive and realistic take-over of the activities of transnational and other corporations by competent Ivory Coast nationals; by inducing TNCs to re-invest locally a large part of their earnings, it also encourages participation of transnational corporations in the development of the country.

C. The "Ivorization" of national companies

94. This process forms part of the Government's policy. It aims at a realistic "Ivorization" of the capital and management of the enterprises operating in the Ivory Coast through "Ivorization" of capital and employment and executive posts.

95. The basic idea behind "Ivorization" is the sharing of risks and profits between Ivory Coast nationals and foreign investors.

1. "Ivorization" of Capital

96. Through the National Financing Company (SONAFI) the State always assumes a large share (up to 51 per cent) of the capital in order to recycle it to competent nationals; this is now done through the Abidjan stock exchange.

97. Concurrently, Ivory Coast nationals have substantial direct holdings in the capital of enterprises, especially those engaged in wood production, processing and marketing.

2. "Ivorization" of employment

98. This does not imply taking over the managerial posts of an enterprise at the outset, but rather entering into a contract whereby Ivory Coast staff working in enterprises routinely move into managerial posts in the normal course of their careers. In some cases Africanization, when overly hasty, seems to have resulted in failure.

99. The "Ivorization" of capital and employment should be seen as a process of collaboration and participation and not as the elimination of one party by the other. This of course calls for a certain maturity in relationships if the necessary trust is to be established and maintained, and this trust should not exclude constant vigilance.

100. "Ivorization" thus takes into account the contribution of enterprises, especially transnational corporations, because it is decisive for the success of the operation.

101. "Ivorization" is based on the enterprise's participation in the training of the country's nationals to whom the decision-making powers are to be transferred progressively and smoothly and without cutting off links with the parent compaines. The enterprises are increasingly able to rely on nationals and continue their activities in the country. It is on this basis that most of the transnational corporations have channelled Ivory Coast nationals into secondary managerial posts and into the chairmanships of their governing boards.

102. It should be noted that the Ivory Coast's policy of "Ivorization", consistently pursued since independence, remains unchanged and that the enterprises are co-operating fully in spite of some difficulties inherent in such an operation. For this purpose the Government has established a Ministry for the "Ivorization" of employment in order increasingly to promote, within the enterprises, the conditions necessary for the realistic and effective transfer of employment and nationals through programmes that take into account both the country's real potential in terms of trained staff and the training programme.

CHAPTER VI

CONCLUSIONS

103. To conclude this brief account, the following should be noted:

(1) The activities of transnational corporations in the timber industry are the same as in all the other sectors of the economy:

(2) The influence of transnational corporations is much greater in the marketing of products abroad than in production and processing. This is due to the fact that products are distributed abroad through networks, most of which belong to TNCs which are integrated enterprises from the production right up to the marketing stage;

(3) The Ivory Coast State does not accord transnational corporations any special treatment. TNCs are subject to the general regulations applying to all enterprises;

(4) The Government wishes its relations with transnational corporations, as with all corporations regardless of origin, to be carried out on a basis of continuing agreement and dialogue in which the Administration's sovereign decision, in every case, takes into account the considered opinion of the private sector in order to ensure harmonious co-operation. Trustful but vigilant collaboration thus exists between the State and the private sector.

104. This collaboration has enabled the Ivory Coast to further the necessary co-ordination of interests with private enterprise and to adjust its action in the light of the realities of the country's political, economic, social and cultural environment.

105. The country has therefore gained in terms of job creation and improvements in the living standard of the population through the re-investment of part of the profits of the companies operating in its territory which have thus contributed to the implementation of the different national development plans.

106. This effort must be intensified in order to promote more energetically the necessary "Ivorization" of the staffs of enterprises and to enable the country to play a more dominant role in the marketing of its exports.

107. This effort is regarded by all as essential in the mutual interest of the State and of the private sector in which the transnational corporations play a very substantial role in the development of the Ivory Coast.

LIST OF TRANSNATIONAL CORPORATIONS

1. SOCIETE DE MENUISERIE IVOIRIENNE
2. BEUGLOT FRERES
3. C.F.I.
4. F.O.S.A.P.
5. E.C.T.C.I. (GADEN group)
6. F.I.G.
7. E.F.B.A.
8. Establissements LALANNE
9. Etabblissements pierre BALLET
10. Establissements Forets et Scierie de DIVO
11. Exploitation de TANDA (LALANNE group)
12. B.D.A.C.I.
13. S.E.F.A.C.I.
14. Scieries de Bandama (JACOB group)
15. LANGLOIS Jean
16. Societe LE CALVE-Fontaine
17. Exploitation Paul LETUVEE
18. S.I.F.C.I. (DANZER group)
19. Les Bois debites
20. Scierie de SINFRA
21. Societe de BOIS DE L'EQUATEUR
22. LOGIVOIRE
23. ODDOS et Compagnie
24. A.T.P.
25. S.C.A.F. (SCOA group)
26. SCHLOSSER et GRIS
27. Societe MODERNE DE DABOU
28. S.E.P.C. (LALANNE group)
29. S.A.F.R.I.M.A.
30. S.O.F.O.C.I.
31. S.O.F.I.B.O.I.S. (SOTREF et BFCOB)
32. Societe STEHLIN FRERES
33. S.I.B.T.
34. Societe d'AGNIBILEKRO
35. S.I.P.R.O. BOIS
36. S.E.F.A.N.
37. S.C. GONROUSSE
38. Groupement des BOIS IVOIRIENS
39. C.I.B.
40. BRUCE FRED N 11
41. Exploitation Forestiere de la LOBO
42. Societe Exploitation du Bois de GUIGLO

43. S.I.T.B.
44. TRIBOIS
45. S.E.B.S.O.
46. S.E.F.A.
47. S.I.B.O. (WIRAFRIQUE group)
48. COOPEBOIS
49. SITRANS BOIS
50. FRIEND RAPHAEL group
51. S.E.F.O.

APPLICATION FOR APPROVAL BY THE GOVERNMENT

(in implementation of Decree No. 66-120
of 15 September 1966)

FILE FOR SUBMISSION BY APPLICANTS

I. LEGAL FILE

Individual enterprise

1. Name of enterprise and address of registered place of business in the Ivory Coast

2. Specific purpose of proposed activity

Companies

1. Business name and address of registered place of business

2. Articles of association of the company

3. Specific purpose of proposed activity

4. Identity of manager (address - telephone)

II. BUSINESS FILE

1. Description of proposed manufactures (sizes, standards, grades, species, seasoning, packaging, etc.)

2. Destination of proposed manufactures (specify whether intended for plants of the group)

3. Proposed contribution to supply of Ivory Coast industries (prices, specifications, quantity, percentage of total output)

4. Pricing study (production costs, cost prices)

III. TECHNICAL FILE

A. Supply

1. Origin and nature of proposed raw materials

2. Quantities required

3. Specify contacts or supply contracts and agreements entered into with:

   - loggers
   - exporters
   - industrialists
   - group

4. Specify activities proposed for use of new species

B. Technical note

1. Desired site of unit and proposed infrastructure
2. Processing operations (type of production, cutting method, etc.)
3. Plan for deploying materials and routing
4. Description of buildings and related installations
5. Description of materials (estimates of quantities and costs)
6. Specify technical assistance (if any)
7. Production schedule for five-year period
8. Number of employees and origin (African or non-African)

IV. FINANCIAL FILE

1. Forward projection of activities over five-year period
2. Financing study
   - Total investments
   - financing plan (short-term, medium-term, long-term)

V. OBLIGATIONS

1. To keep a register of wood entering and leaving the plant
2. To comply with the regulations in force.